



EXHIBIT 1
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Bill would eliminate double taxation on vehicles

By KARL PUCKETT
Tribune Staff Writer

Two years ago, Walt Carnathan bought his "dream car," a gold 1999 Cadillac Eldorado, but he says the experience became a nightmare when he learned he had to pay the registration taxes immediately, even though the seller already had paid them.

"I was shocked to death," said Carnathan, a 73-year-old retired airman from Great Falls. "Cadillacs aren't cheap, and boy did they zap me."

The practice of requiring motor vehicle registration fees to be paid a second time in one year when a vehicle changes ownership would end under a bill moving through the Legislature and backed by the Montana Association of Treasurers, which collects motor vehicle registration fees.

The state charges a flat registration fee of \$217 for new vehicles and progressively less for older vehicles, plus fees earmarked for specific purposes such as state parks and Montana Highway Patrol recruitment efforts.

Except for the earmarks and a so-called "option tax" collected by most Montana counties, the money goes into the general fund.

Under House Bill 187, vehicle registration taxes would not be due until the original renewal date of the vehicle tags, regardless of whether the vehicle has changed hands.

"It's not fair to tax the people of Montana twice for the same item," said Rep. Janna Taylor, R-Rollins, the bill's sponsor. "I have many constituents that have asked me to do this — as have many of the other legislators."

The legislation, the first of several bills expected to address motor vehicle registration this session, comes up for a hearing in the Appropriations Committee on Tuesday.

The current practice of basing registration on ownership transfer was passed by the 2005 Legislature as a way to streamline the administration of vehicle registration.

Carnathan said he found out about the change the hard way after purchasing the Eldorado. The seller told Carnathan that he already paid the taxes. However, the Treasurer's Office informed Carnathan he owed the state, too.

The thought still grinds his gears.

"When they sell it to you, then you should only pay from the time you got it and until it's due again," he said.

County Treasurer Jess Anderson, the legislative committee chairman for the Montana County Treasurer's Association, whose office collected the taxes on Carnathan's vehicle, agrees with him.

"A vehicle should be taxed once, and only once, in the state of Montana," Anderson said. "It's just like a house. We tax it once."

The economic impact of the change could prompt objections, Taylor said. Similar legislation was defeated in 2007.

The Governor's Office of Budget and Program Planning estimates the change would cost the general fund about \$6.1 million over the next two years.

In addition, revenue generated from county option taxes would decrease by an estimated \$738,350 in the first half of 2010, and by approximately \$1.4 million in 2011. Counties can collect up to .7 percent of the value of a vehicle, which is added to the registration cost.

Kevin O'Brien, a spokesman for the state Department of Justice, which includes the Motor Vehicles Division, said the department has no opinion on the proposed change, calling it a legislative matter.

"The Department of Justice has no position on the bill, but it clearly has a huge price tag and it gives no relief to those who sold their vehicle and paid the tax," he said.

Anderson said the Treasurer's Association is doing its own calculations of the financial impacts of the proposed change in preparation for Tuesday's committee hearing.

The option tax in Cascade County, which is .5 percent, generates about \$3 million annually, with \$1.8 million going to the county, \$1 million to the city of Great Falls and the rest divided between Belt, Cascade and Neihart, he said.

Anderson added there's a lot of ways to fund county government "but to double tax the people is not the way to do it."
